

U.S. v. Sheldon Silver
Prepared Remarks for U.S. Attorney Preet Bharara
January 22, 2015

Good afternoon. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

Today we unseal a criminal complaint charging the long-time leader of the New York State Assembly, Speaker Sheldon Silver, with public corruption. Speaker Silver surrendered to the FBI in Manhattan earlier this morning, and we expect him to be presented in federal court this afternoon.

Over his decades in office, Speaker Silver has amassed titanic political power. But, as alleged, during that same time, Silver also amassed a tremendous personal fortune – through the abuse of that political power.

The Complaint charges Speaker Silver, in five counts, with corruptly seeking legal business from a handful of people and entities with significant business or interests before the State, and then corruptly profiting from the legal fees that were paid.

All told, we allege that Silver corruptly collected some \$4 million in bribes and kickbacks disguised as “referral fees.” Those disguised bribes and kickbacks account for approximately two-thirds of all of Silver’s outside income since 2002. Today, in order to prevent Silver from accessing his alleged ill-gotten gains, we also announce that the Court has issued warrants allowing us to seize approximately \$3.8 million in alleged fraud proceeds that Silver had dispersed among eight different bank accounts at six different banks.

For many years, New Yorkers have asked the question: how could Speaker Silver, one of the most powerful men in all of New York, earn millions of dollars in outside income without deeply compromising his ability to honestly serve his constituents? Today, we provide the answer – he didn’t. As alleged, Silver corruptly used his law license and took advantage of the lax outside income rules as a cover to secretly pocket millions of dollars through his official position.

For many years, New Yorkers have also asked the question: what exactly does Speaker Silver do to earn his substantial outside income? Well, the head-scratching can come to an end on that score too because we answer that question today as well – he does nothing. As alleged, Speaker Silver never did any actual

legal work. He simply sat back and collected millions of dollars by cashing in on his public office and political influence.

Now, we are by no means the only ones to have sought answers to these important questions. The Moreland Commission, as you may recall, tried to get to the bottom of some of these questions also. But a deal was cut that cut off the Commission's work. To the great relief of Sheldon Silver, who furiously fought its subpoenas and urged the Commission's early shut-down, Moreland was made to close its doors after only nine months, its work barely begun and while litigation over those subpoenas – about Sheldon Silver's outside income – was still pending before a state judge.

So my office, as you know, took possession of all of the Moreland files and merged the Commission's incomplete investigations with our own ongoing ones. And it quickly became clear that the mystery of Silver's outside income needed to be a top priority.

As today's charges make clear, the show-me-the-money culture of Albany has been perpetuated and promoted at the very top of the political food chain. And as the charges also show, the greedy art of secret self-reward was practiced with particular cleverness and cynicism by the Speaker himself.

Now, let me get into some of the details of the charges that we announced here today.

The central allegation in this case is that Speaker Silver successfully sought ways to monetize his public office, and that he did so in violation of federal law. As alleged, Silver quietly and cleverly figured out how to monetize his position as Speaker of the Assembly in two principal ways.

In both cases, as alleged, Silver cynically abused his law degree and New York's lax disclosure rules to disguise kickbacks as legal referrals.

Let me talk about the first.

As alleged in the Complaint, in 2002 Sheldon Silver established an arrangement with the law firm of Weitz & Luxenberg, which was mostly in the business of asbestos litigation. That arrangement called for him to be paid \$120,000 a year, even though Weitz & Luxenberg admits hiring him based on his official position rather than any work he was expected to perform for clients of the firm.

But that wasn't enough for the Speaker, because Sheldon Silver understood that he could substantially supplement his income if he could cause asbestos referrals to be made to the firm.

Now the problem, for Sheldon Silver, was that he was neither a doctor nor an asbestos lawyer.

So Silver did not have relevant legal or medical expertise. But what he did have was extraordinary power over State money that he had the ability to dole out quietly, even secretly.

So Silver, as we allege, in the early 2000's forms a relationship with a doctor who is an expert in asbestos-related disease and who can get Silver what he wants because he treats many patients who might have asbestos-related claims.

Silver wants referrals so that he can substantially increase his income – even without doing a lick of work. So, as alleged, he asks the doctor to refer people who have asbestos diseases to Silver at the firm of Weitz & Luxenberg, with which Silver had conveniently formed an affiliation.

But the doctor wants something too. What the doctor wants is money to fund his research at a hospital in New York.

And it turns out that the doctor is in luck because, as I mentioned, Sheldon Silver has access to enormous amounts of public money, including an \$8.5 million fund from which he can, in his sole discretion, without disclosure and without transparency, cause funds to be distributed to the doctor's research center.

And that's exactly how it worked.

Sheldon Silver tells the doctor to send referrals to Weitz & Luxenberg from which Sheldon Silver profited through referral fees and in return Silver on multiple occasions takes official action for the benefit of the doctor and the doctor's interests.

As you'll see if you look at the complaint, first he causes a \$250,000 state grant to go to the doctor's research center. Then, he causes a second \$250,000 grant to go to the center. Then, when the ability to pay money from the state secretly evaporated because of a change in the law, Silver finds other ways to use his official position to perform favors for the doctor – (1) Silver helps the doctor's

family member get a job; (2) Silver directs \$25,000 in state funds to a not-for-profit where another family member of the doctor served on the board; and (3) Silver even gets the Legislature to issue an official resolution honoring the doctor.

And so, at the end of the day, all told, we allege that Sheldon Silver effectively converted \$500,000 in public money into over \$3 million dollars in personal riches, which is a nice private profit on being a public official.

By the way, as described, Silver did all of this without ever disclosing to Weitz & Luxenburg, or to the public, that he had directed half a million dollars to the Doctor's research center. As with so many things depicted in the Complaint, Silver did things quietly and under the radar.

Now, let me talk about the second corrupt way that Sheldon Silver illegally monetized his public position. That was based on his power over the real estate industry.

Once again, Silver uses his affiliation with a law firm, in this case a tiny real estate law firm, whose lead partner is his former Assembly counsel. That firm has only two lawyers and a very narrow specialty – tax reductions. In other words, it helps developers make applications to the City of New York to lower their property taxes.

Unlike with the asbestos law firm, Silver keeps his financial arrangement with the Real Estate Law Firm completely secret – he doesn't even comply with state disclosure laws requiring him to identify with specificity all sources of income.

But, as is the case with the asbestos referrals, Sheldon Silver does not have any relevant legal qualification, none – he has no real estate tax experience whatsoever.

But what he does have, again, is tremendous authority and power – authority and power he was privileged to have by virtue of his public position – over rent control laws and tax abatement laws that are critically important (even existentially important) to the business models of some of the largest real estate developers in the state.

And he abuses that power, just as he does in the health care context that I just described. Let me tell you that story. As alleged, some years ago Sheldon Silver approaches two prominent developers of substantial properties in Manhattan, one personally and the other through a lobbyist (which lobbyist, by the way, was hired by the developer to lobby Silver), and he asks those developers to switch law firms

and hire a different law firm – the Real Estate law firm that Silver had a secret financial arrangement with.

And the developers, they oblige. And that is not surprising. Because Silver is a powerful political leader in the State who holds sway over so many laws and policies near and dear to the Developers’ bottom lines.

So the Developers hire the firm and pay it a cut of whatever millions of dollars the Real Estate Law Firm saves them in property taxes. And Silver gets a cut of that cut – and he gets it secretly.

In return, as alleged, Silver does not disappoint those developers when it comes to official state business that they care about. During the time that Silver is pocketing money from developers, he continues to hear out lobbyists who are working in favor of one of these very developers and as set forth in the Complaint, certain of that developer’s recommendations ultimately are adopted by the Legislature.

And, as set forth in the Complaint, when rules come up for renewal that are absolutely critical to the financial success of those developers, the developers are pleased with how Sheldon Silver comes out on their issues.

In fact, as the complaint describes, on one occasion a real estate industry group stated that landlords were surprised by how favorable Silver was to their position, and that Silver could have done more for tenants.

And so, as alleged, in exchange for exercising power over issues that were of concern to the developers, Sheldon Silver converted his public authority over property laws into \$700,000 in personal profit.

And none of that has ever been publicly disclosed.

As you can see, a theme running through all of these charges is secrecy – the hallmark of many a criminal scheme. And Silver’s was no different. Indeed, the Complaint sets forth the many ways that Speaker Silver lied and misled the public about his outside income to hide his scheme.

You can look at the complaint for others, but here’s one that is particularly egregious: In response to recent questions about Silver’s outside income, the Speaker had his spokesperson flatly state that “none of [Silver’s] clients have any business before the state.”

But, as we allege, it would be hard to find a more blatant lie – given that Sheldon Silver was retained by one of the largest developers in the entire state, with huge business before the state legislature that Speaker Silver himself purports to help lead. In fact, I urge you to read the portion of the Complaint that lays this out – you’ll find it at paragraph 32.

In other words, what we allege is that Sheldon Silver, Speaker of the New York State Assembly, was in fact on retainer to a mammoth real estate developer at the very same time that the chamber he dominates was considering and passing legislation vitally affecting the bottom line of that developer; at the very same time that he was hearing out lobbyists paid by that developer and at the very same time that he was deliberately keeping secret from the public any information about this lucrative side-deal, in violation of the law.

And, by the way, many of the laws described in the Complaint that are important to the real estate industry are up for renewal in the legislative session that has just begun.

Politicians are supposed to be on the people’s payroll, not on secret retainer to wealthy special interests they do favors for.

These charges, in our view, go to the very core of what ails Albany – lack of transparency, lack of accountability, and lack of principle joined with an overabundance of greed, cronyism, and self-dealing.

But we will keep at it, because the men and women of the FBI and of my Office still subscribe to the quaint view that no one is above the law – no matter who you are, who you know, or how much money you have.

And so, our unfinished fight against public corruption continues. Stay tuned.

I am joined here today by our partners in this case, the Federal Bureau of Investigation, represented here today by Rich Frankel, the Special Agent-in-Charge, George Khouzami, Assistant Special-Agent-in-Charge, and James Barnacle, Supervisory Special Agent, of the Criminal Division in the New York Field Division. I also want to thank all those at the FBI who have helped make today’s case possible, including FBI Special Agents Richard Wilfling, Paul Takla, and Elizabeth Bracco.

Finally, I want to recognize the dedicated career prosecutors and criminal investigators in my office who worked so hard to make this case possible – Assistant United States Attorneys Howard Master, Carrie Cohen, Andrew Goldstein, and Jamie McDonald, supervised by Arlo Devlin-Brown, the chief of my office’s Public Corruption Unit, and Criminal Investigators Bob Ryan and John Barry. I also want to thank Deputy U.S. Attorney Rich Zabel, Criminal Division Chief Joon Kim, and Chief Counsel Dan Stein.